Defense Supply Center Richmond CSR Conference

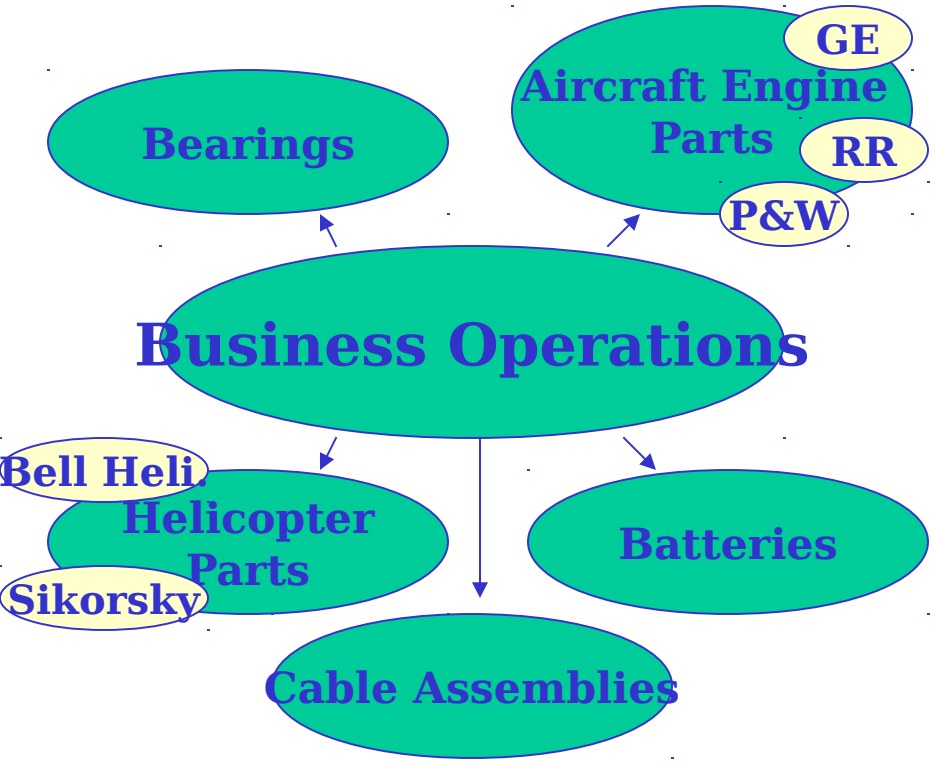
Supplier Operations Update

Agenda

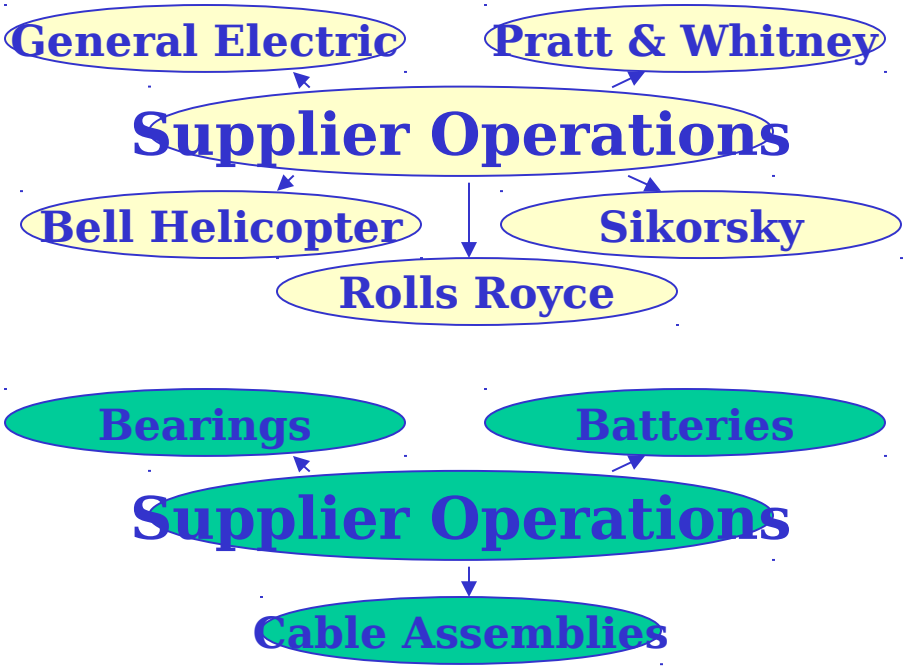
- DLA Transformation Update
- Business Development
- Performance Based Partnerships
- Supplier Relationships – How Are We Doing?
- Supplier Support For Weapon System Performance
- Kitting – Another Opportunity for Support
- Takeaways

DLA Transformation Updat

PAST
Transactional And System Focused

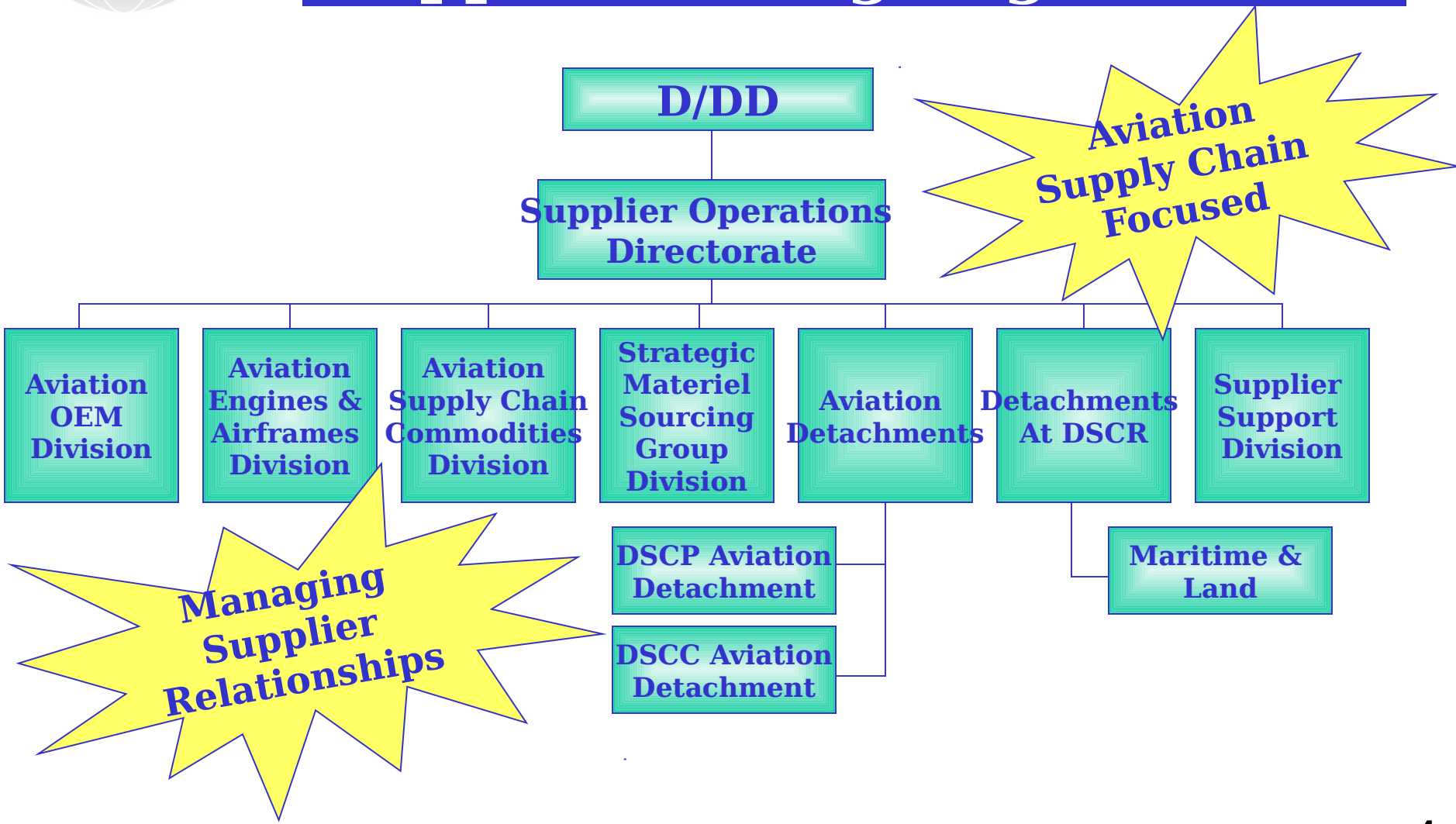


FUTURE
Strategic and Relationship Focused



Managing → Managing

DLA Transformation Update
Supplier Facing Organization



DLA Transformation Update

Evolving Aviation Supply Chain Perspective

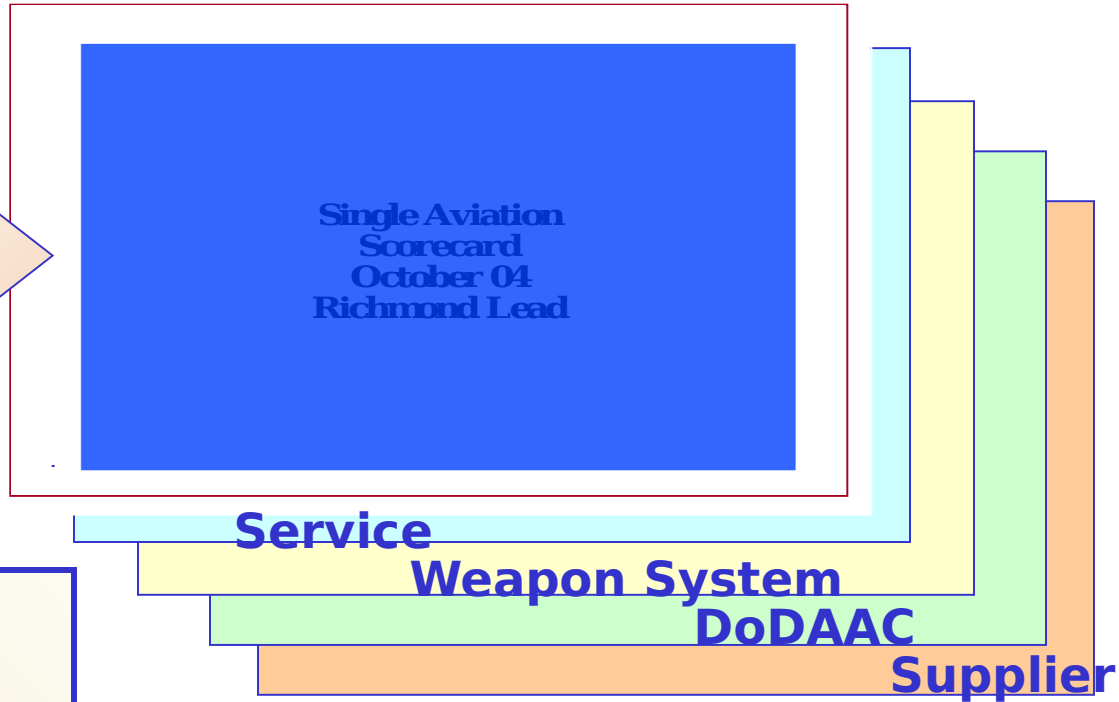
Current ICP Perspective

DSCR

DSCC

DSCP

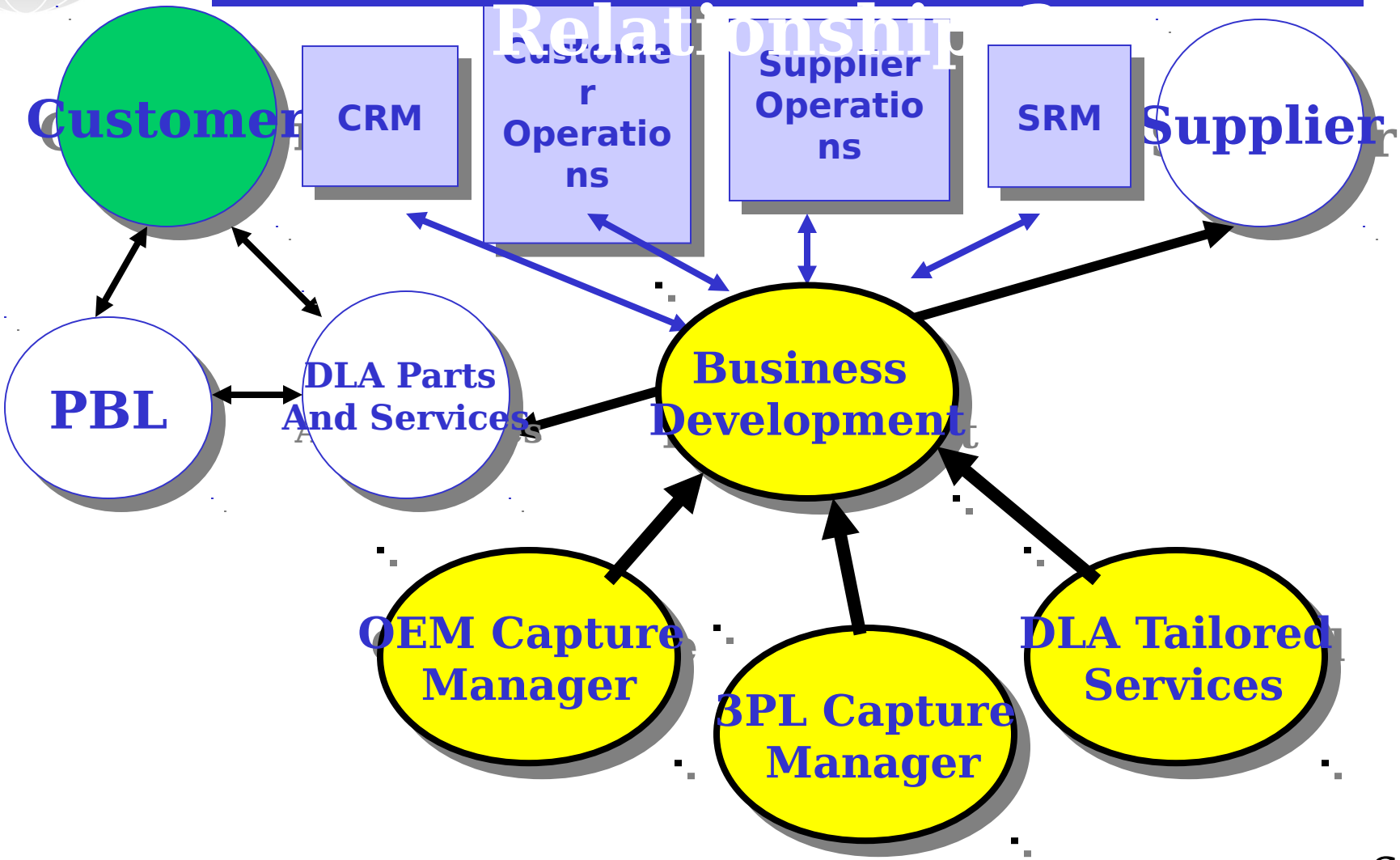
Aviation Supply Chain Perspective



Benefits

- **Single Face For DLA**
- **Single Prioritization Scheme**
- **Single Set Of Metrics**

How Do We Organize To Develop Business Relationships?



Business Development

Supplier Operations

D/DD

SMSG

Business Development GS-15

Special Acquisition

Planning & Requirements

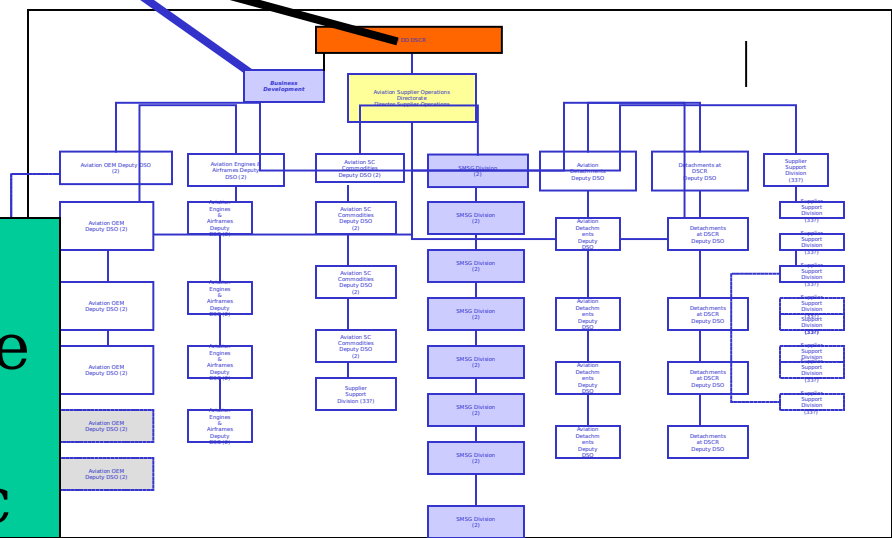
SRM/OEM

Capture Mgrs (9)

OEM Capture Manager Team

3PL Capture Manag

DLA Tailored Servic



Options for DLA Role in Performance Based

- DLA Manages the Consumable Parts Supply Chain
  - Enhanced by Transformational Initiatives
- DLA Includes Consumable Items on Military Service's Contracts
  - Only Unique Sole Source/Proprietary Parts
- DLA Is Source of Supply to Service Product Support Integrator (PSI)
  - Common and Unique Consumable Items If Best Value
  - If Not Best Value for Unique, PSI Requisitions Assets in Inventory Until Depleted
- Or, Some Combination of the Above

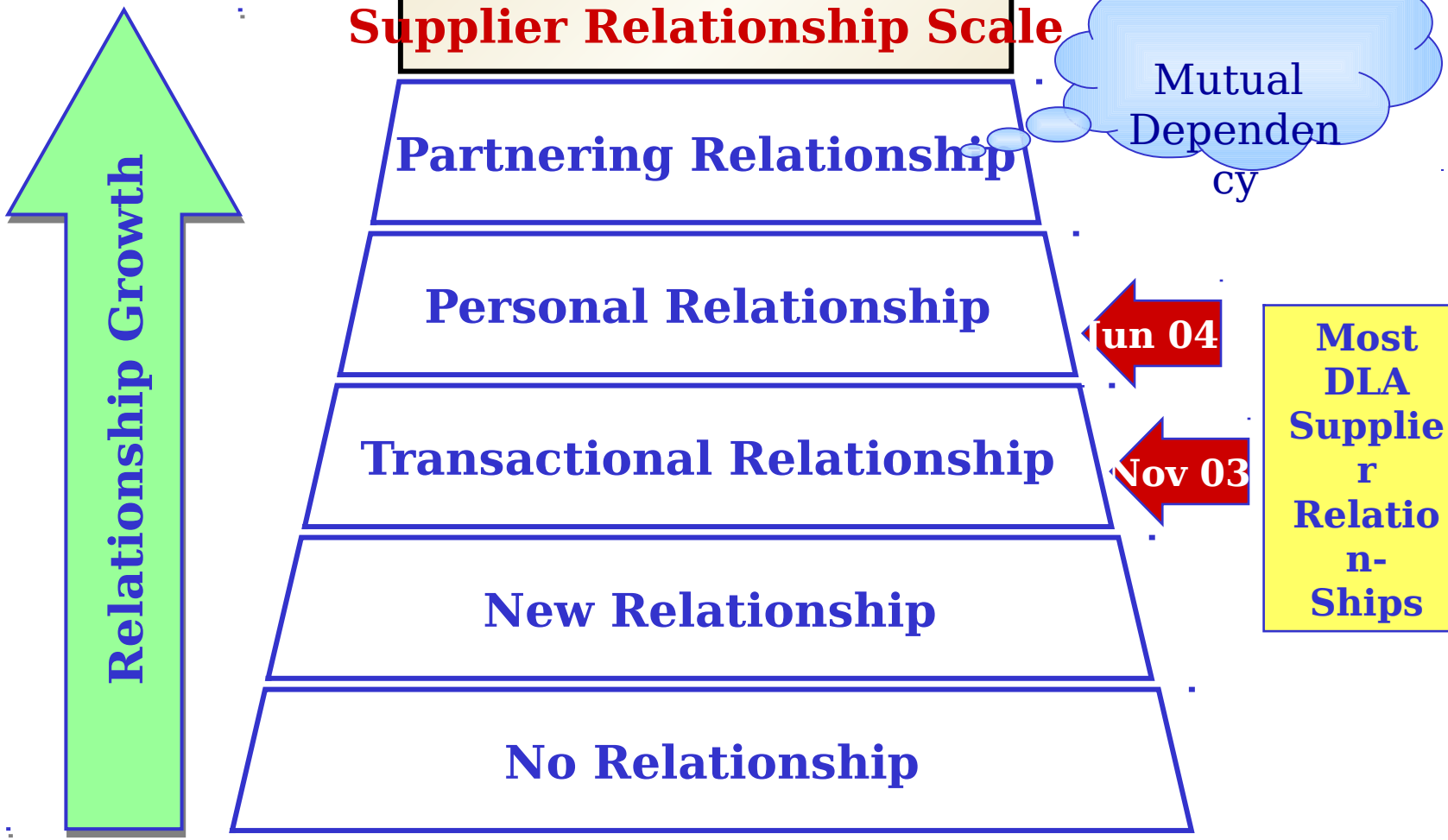
Performance Based Partnerships

Partnership Effort	Partner Efforts		DLA Partnership Participation	
	Service	Contractor	Full Partner With Service	Partner With Contractor
KAC T56/TF39	Air Force	Lockheed Martin Kelly Aviation Center		X
S-3	Navy	Lockheed Martin Logistics Service International		X
F/A-18 Kits	Navy	Central Kitting Activity, JAX Northrop Grumman	X	
F/A-18 FIRST	Navy	Boeing	X	
CASS	Navy	Lockheed Martin	X	
APU CP	Navy	Honeywell		X
J52 Engine	Navy	Pratt &Whitney		X

Performance Based Partnerships

Partnership Effort	Partner Efforts		DLA Partnership Participation	
	Service	Contractor	Full Partner With Service	Partner With Contractor
AV-8B	Navy	Boeing		TBD
CH-47/AH-64	Army	Boeing		TBD
SH-60	Navy	Lockheed Martin, Sikorsky		TBD
F404 Engine	Navy	General Electric		TBD
Kiowa Warrior	Army	Bell Helicopter, Inc.		TBD
H-46 Phase I	Navy	Boeing		TBD
H-46/H-53 APU	Navy	Hamilton Sundstrand		TBD
H-46/H-53 Eng Fuel Control	Navy	Hamilton Sundstrand		TBD
H-53 Phase I	Navy	Sikorsky		TBD
JSF	Navy, Air Force	Lockheed Martin Honeywell		TBD
F/A-18 MF	Navy	Honeywell		TBD

Supplier Relationships
How Are We Doing?



Supplier Relationships
How Are We Doing?

Supporting DoD Logistics Strategic Objectives

SSA Achievements

Logistics Process Improvements

- Production Lead Time ↓
- Administrative Lead Time ↓
- PQDRs ↓
- Backorders ↓
- On Time Delivery ↑
- Supply Availability ↑

DoD Logistics Strategic Objectives

Logistics Process Perspective

Provide effective logistics chain performance and capacity while reducing the logistics footprint to include:

- **Reducing cycle time, improving effectiveness, improve product quality, leveraging IT improvements and Commercial Advances**

- **Linking To Military Services To Advance Warfighter Support**
- **Implementing Best Practices To Improve Processes**
- **Moving To Supplier Performance By Weapon System**

Supplier Teams

Criteria For Selection

- Significant Number Of Sole Source NSNs
- Significant Number of NSNs Coded To Selected Weapon Systems
- Long-Term Contract Candidate
- Dollar Value of Business

Oct 2002

Honeywell
Boeing
General Electric
Pratt & Whitney
Rolls Royce
Bell Helicopter

Oct 2003

Sikorsky
Smiths
Raytheon
BAE

Feb 2003

Lockheed Martin
Northrop Grumman
Eaton
Hamilton Sundstrand
Parker Hannifin
Goodrich
Moog

Mar 2004

Canadian Comml Corp

Duties

- Manage Large Business OEM
- Sole Source Items Only
- Perform Supply, Technical and Procurement Functions
- Single Face To Supplier

Supplier Team Scorecard
FY04 July

Supplier TEAM	Total ALT	PRs > 180	REPLEN PR's >ALT	HiFREQ LTC %	HiFREQ SA	B/O > 180	Del Rate	PLT	Overall
HNWL	2	3	2	2	3	2	2	2	18
BOE	2	2	0	3	2	0	2	2	13
RTHN	2	3	2			2	2	1	12
SMTH	1	3	2	0	0	2	2	0	10
BAE	2	3	2	2	0	0	2	0	11
SKOR	2	3	2	3	3	2	2	1	18
BELL	0	3	2	3	3	0	2	0	13
GDRH	2	3	2	0	0	0	2	2	11
GE	2	3	1	3	0	2	2	2	15
PRAT	2	3	2	3	0	2	2	0	14
ROLS	2	3	2	3	3	2	2	2	19
HSUN	2	0	2	0	3	2	2	2	13
ETON	2	3	2	0	0	2	0	0	9
MOOG	2	2	0	2	0	0	2	2	10
PHAN	2	3	2	2	0	0	2	2	13
LMAR	2	0	2	0	2	2	2	2	12
NGMN	1	3	2	3	3	2	2	0	16
Total STs	2	2	2	2	2	2	2	2	16

Legend:

COLOR	STD	CRIT	Overall	17-19	
	2	3		14-16	
	1	2		10-13	
	0	0		0-9	

Strategic Supplier Alliance and Supplier Team
Turning Actions into Results

Honeywell

Obligations To Honeywell:

Total DLA Obligations = $187M (Apr 03 – Mar 04)

Total DLA SSA Contract Obligations = $74M (Apr 03 – Mar 04)

40% Of DLA Obligations To Honeywell On SSA Contracts

SSA Established: 25 June 1999 (Expanded To Include AF, May 2003)

SSA Partners: DLA, Air Force, Honeywell

SSA Improvements Areas: Contracting
Forecasting

Honeywell - Turning Results Into Warfighter

Improvement	Pre-SSA	SSA
Improve Production Lead Time	161.1 Days	136.1 Days
Improve Administrative Lead Time	114.3 Days	23.3 Days
Reduced Backorders	4634 Lines	884 Lines
Increased Number Of NSNs On SSA Contr		4897 NSNs

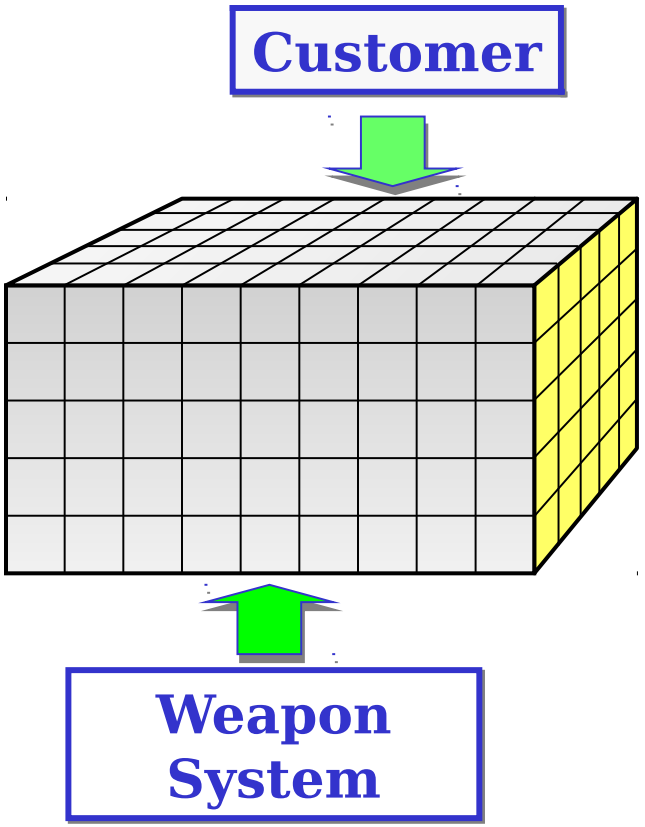
April Supply Availability

Honeywell Sole Source Parts = 90.88%

Frustrated Shipments

- Heightened visibility
- Military Standard 129P (MIL-STD-129P)
  - Contractor compliance required
- Reports of Discrepancy (ROD)
  - Customer and Defense Distribution Centers (DDCs)
- Reduction of frustrated shipments

Supplier Support For Weapon System Performance



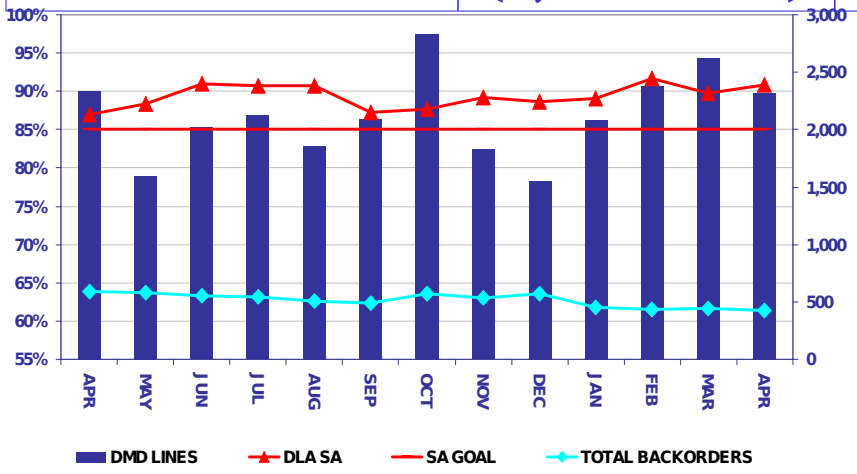
- Linking Supplier Performance To Weapon System Availability And Readiness
- Utilizing SSAs and Long Term Contracts To Improve Support
- Jointly Developing Innovative Solutions To Exceed Requirements
- Developing Ways To Optimize System Availability Within Cost Constraints

Supplier Support For Weapon System Performance

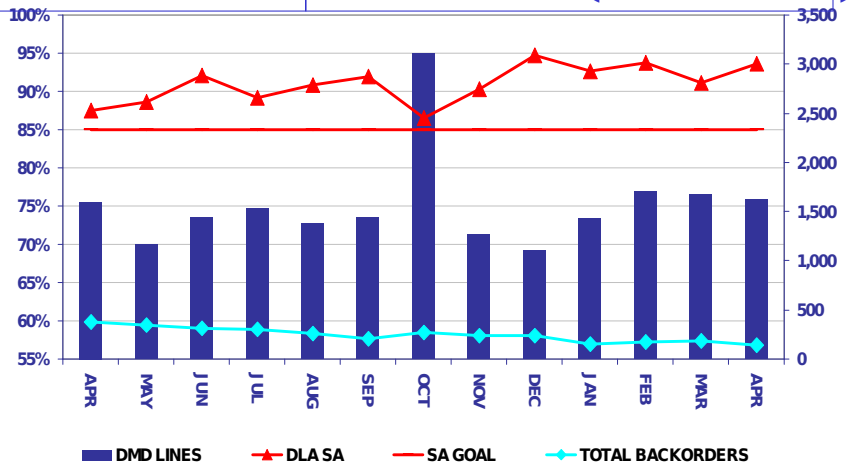
Support To F-15 – Honeywell

DLA Support To F-15 (April 2004)			
	Overall All NSNs	Sole Source NSNs	NSNs On SSA Contracts
Supply Availability	89.13%	90.85%	93.68%

Sole Source NSNs (3,528 NSNs)



NSNs On SSA Contracts (958 NSNs)



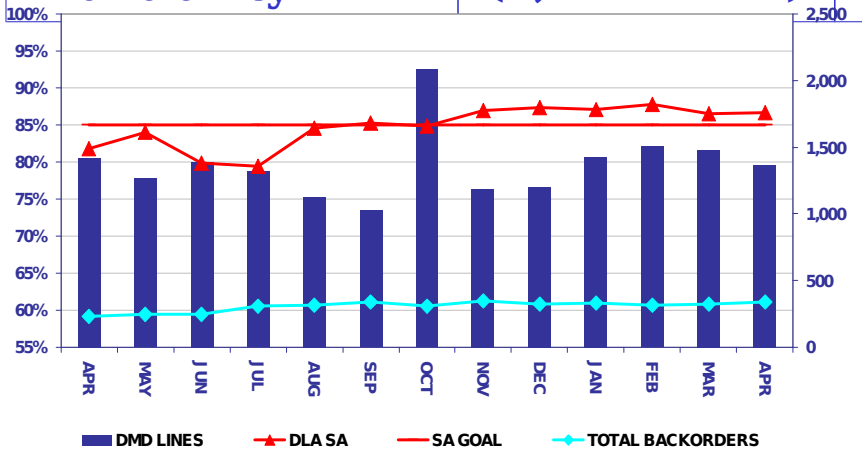
- Supplier Relationships Are Key To Improving Weapon System Performance

Supplier Support For Weapon System Performance

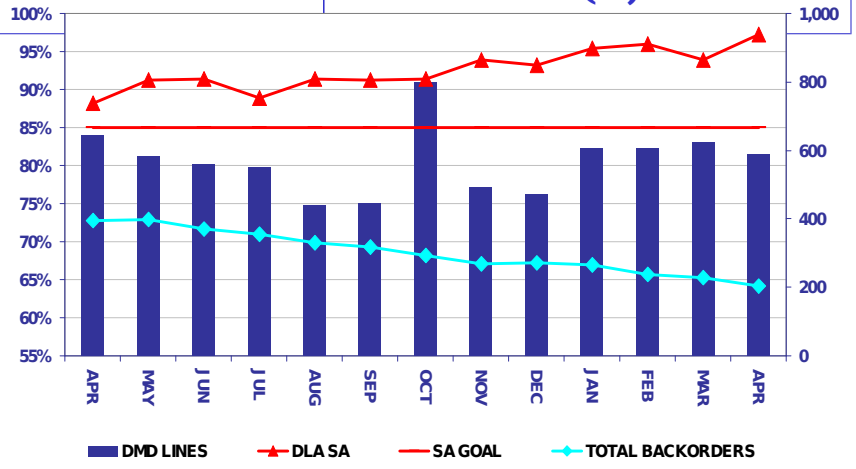
Support To F-15 – Boeing

DLA Support To F-15 (April 2004)			
	Overall All NSNs	Sole Source NSNs	NSNs On SSA Contracts
Supply Availability	89.13%	86.66%	97.28%%

Sole Source NSNs (5,909 NSNs)

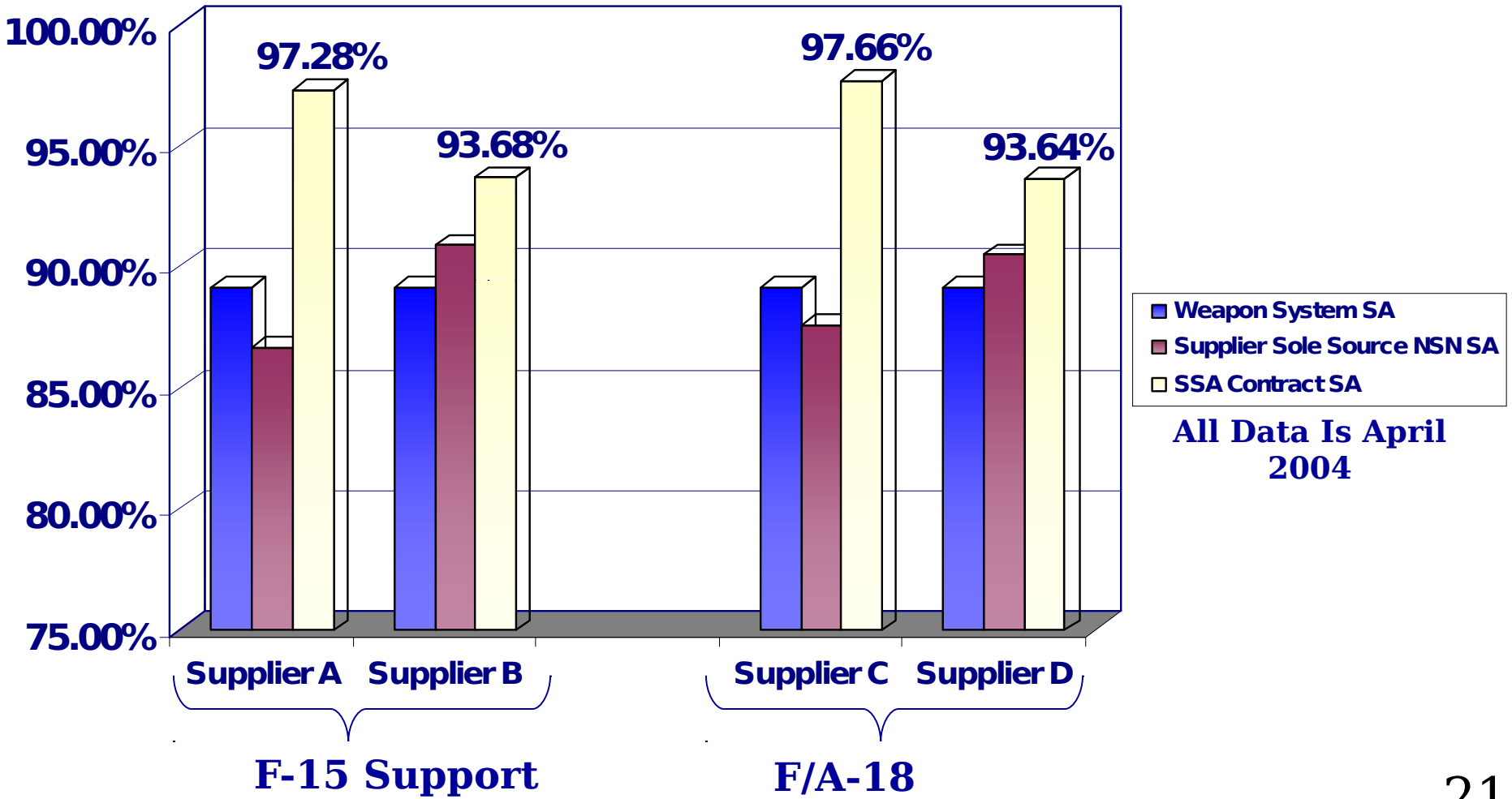


NSNs On SSA Contracts (1,647 NSNs)



- SSAs Have Further Improved Weapon System Support

Supplier Support For Weapon System Performance



All Data Is April 2004

DSCR Kitting Summary

Kit Summary

Total Kit NSNs 665

Total Components 6,426

Total Last 4 Quarter Kit Sales $38.7 Mil

Targets of Opportunity

- Air Force ALCs
- NADEPs
  - NAS Lemoore
  - NAS Oceana
  - MALSs
- CCAD
- Ft Rucker
- Ft Campbell,
  - Ft Bragg,
  - Ft Lewis…
- AVIMs/AVUMs

Current Kitting Project

Long Term Kit Contracts	Organic Kitting Support	Army Demand Based	Air Force Demand Based	Navy/Marine Demand Based	New Kit Projects	U & C Projects
CH-47 Reset	F/A-18 ECS	UH-60	Engines	A-6/EA-6B	F-110 SLEP/AEU	AV-8B Center Fuel Tank
AH-64 Reset	AV-8B Blast Shields	AH-64	C-130	AH-1W	T-38 Actuators	AH-64 APU Bearing
UH-60 500 Hr Phase	F-14 & F/A-18 NACES	CH-47)	C-141	AV-8B	CH-53 T64 Build Spec	
Tinker Engines (multiple)	A-10 Wing Mod	OH-58	C-5	CH-46	A-10 FS-524 Parts	
Tinker B-52 TF33 Cold Start	CCAD Hardware	UH-1N	E-8	CH-53	Ogden Wheels and	
OO-ALC C-130	HH/SH/UH-60 CCAD		F-15	E-2/C-2	F/A-18 F404 Flame Holder	

Takeaways

- **Supplier Teams and SSA Partnerships are Working!**
- **DLA Linking Suppliers To Weapon Systems**
- **Significant DLA Transformation**

Working Together To Improve Weapon System Readiness